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THE RAILWAY PROBLEM.

I. THE LEGISLATIVE SOLUTION.

BY THE HON. LLOYD BRYCE.

IN view of the fresh attacks against trusts in the State of New York and the indication of repressive legislation against them, a study of the railroads becomes especially valuable just now. They offer the most complete object lesson in connection with legislation we possess, and a calm, unimpassioned review of their past and present condition may serve, if not to check, at least to direct governmental interference along such lines of reform as are least hazardous to all concerned. Being in no wise an authority on the subject, I desire to state that I have availed myself of the coöperation and the assistance of the best experts and statisticians in the presentation of this statement.

Liberal facilities, rapid, safe, and reasonable transportation, with equality in rates for all, are great demands of the times. In answer to these demands the Interstate Commerce Law was passed about ten years ago. It is generally conceded that we have secured cheap transportation—probably the cheapest in the world. Only a few days ago Edward Atkinson demonstrated that the improvement in our railway service enables the people to move food, fuel, fibres, and fabrics at one-third the former charge; that a charge of \$31.41 per head for this purpose had been reduced to \$10.47, thereby effecting a saving to the entire nation of a fraction under fifteen hundred million dollars in a single year. In some quarters the charge has been made that railway rates have not been reduced to keep pace with falling prices especially of agricultural products. This illusion is dispelled by official figures which show that between 1873 and the present time the general ton-mile rate for the United States has fallen nearly sixty per cent.; that the lake and rail rate on wheat from Chicago

to New York has fallen at least 75 per cent., and the all-rail rate not far short of 65 per cent. On corn the fall has been 62½ per cent., and on provisions fully 50 per cent.

Here we have good evidence of reduction of freight rates for the people of the country generally, and the agricultural interests in particular. In the following table is given the average charge for carrying one ton of freight one mile on thirteen of the important railways of the United States:

Year.	Charge per ton per mile.	Year.	Charge per ton per mile.
	Cents.		Cents.
1865.....	3.08	1890.....	0.77
1870.....	1.81	1893.....	0.76
1875.....	1.36	1894.....	0.74
1880.....	1.01	1895.....	0.73
1885.....	0.83	1896.....	Less than in 1895.

The above railways performed about one-third of the entire freight transportation, and we find that seven and one-fifth mills, or probably at the present moment, seven mills, will pay for as much transportation over their lines as could have been obtained thirty years ago for over three cents. Nor do these averages give an adequate idea of railway progress in cheap transportation. Much of the freight on our great trunk lines is carried at half a cent per ton per mile, which means the transportation of one ton of freight two hundred miles for one dollar. Indeed, the Pennsylvania Railroad in 1895 reported that it carried 8,173,218,403 tons of freight one mile, at the rate of five and six-tenths mills per ton per mile. Is it surprising that it is generally conceded by those conversant with the subject that "nothing like it in the history and development of the human race has been known"?

A glance at the passenger barometer likewise shows a decline, though the constant demands of the American public for better and more expensive accommodation and higher speed makes the decrease less marked. The average passenger rate has fallen from over three cents per mile in 1870 to less than two cents in 1894; in round figures, say a reduction of one-third. Relatively speaking, our passenger rates are lower when compared with those of foreign countries—much lower when density of population and the character

of accommodation are considered. In England, for example, the third class, or Parliamentary trains, carry passengers for a penny a mile—that is, an English penny, or two cents American money. The cost of first-class travelling in England, with a population of 541 to the square mile will average double this, while ninety-nine per cent. of the people in the United States, population to the square mile only 21.31, travel first-class at an average cost, including the unsettled areas of the country, where population is less than three to the square mile, for two cents per mile.

Unless the decline in receipts is stopped, wages must be reduced, facilities must be curtailed and forces of employees lessened. Taking an army of two hundred and fifty thousand men out of active employment in one occupation is a pretty serious business. That means an annual loss in wages alone of not less than \$187,500,000. Here we have the direct loss. The indirect loss comes from the irreparable injury to the properties by reason of not keeping them up, ultimately entailing additional losses. The reduction of rates between 1890 and 1895 represents a loss of revenue of over \$100,000,000—\$15,500,000 in passenger traffic and \$87,000,000 in freight traffic. This presents the thought, can the people afford to force an industry in which nearly one-fifth or twenty per cent. of the total wealth of the country is invested to a point where so much of the original investment pays nothing in dividend and interest. The loss of dividends and interest on bonds brings hardship to hundreds of thousands of people of limited means who have invested in these securities. This is no less severe than the loss of work and wages to the laborer. The latest report shows that seventy per cent. or over two-thirds (an aggregate of nearly \$3,500,000,000) of all the outstanding stock of these corporations paid nothing in 1895. The same is true of seventeen per cent. of the bonds. A careful study of these railway budgets would bring out the appalling fact that probably half of these investments are non-productive—certainly five thousand millions of them.

It is important both to the commercial and investing world and to the people of the country, that these investments should earn a reasonable income from the actual investment. I use the term actual because the companies seek no dividends for watered

stock. They are content to earn a reasonable profit on what it cost to build the roads originally, with profit and interest on subsequent betterments and improvements. It must be borne in mind, as to water in railway capitalization, that while it may have been true originally in special cases, it is not true of the railways generally, because the original cash cost of the railways does not by any means represent the final cash cost in their present condition. To prove this, it is only necessary to take the construction accounts which have been paid in cash for years past on the various railroads, and add this to the original cost. Another standpoint from which to look at this is that the great majority of the railroads in the United States have been sold under foreclosure, and have had issued upon them at each foreclosure less and less interest-bearing securities, for no other reason than that the properties had been unable to earn the interest on the former indebtedness. Nearly all of the preferred stocks, and a very large proportion of the common stocks, of the railroads of the country to-day, have been issued in the place of securities which theretofore were interest bearing and represented cash, and the new stocks have been accepted by the present holders solely on the ground that the old fixed charges could not be earned and paid, and that the stocks merely represented ownership which should receive returns only in case they could be earned *

While the mileage of our railways has been multiplied by three hundred per cent. since 1872, the dividend on the investment has increased only 32 per cent. As a result, the investing public, both at home and abroad, will not take these securities. If our railways could secure stable and reasonable rates, and railway wars be stopped, the favorite investment for European capitalists would be American railway securities. Such a result, as has been well said, would start a flow of money to the United States, and give a new impetus to every kind of trade.

And now a word on the cost of transportation. A careful computation by leading experts shows that in thirteen years there has been a decline of 27 per cent. in the price of transportation. That is, railways, as a whole, are now receiving less than

* The reports of the Interstate Commerce Commission showing the millions in stock and bonds which have been cancelled, written off to profit and loss, will astonish those who talk about "watered stock" if they would only take the trouble to look into the subject before making assertions.

three-quarters of what they received thirteen years ago, while yearly the demand for additional facilities has increased. Has there been a similar decline on the raw material out of which transportation is manufactured? Not at all. In the first place, sixty per cent., or \$60 of every \$100 paid out, is paid direct for labor.

The cost of labor is the same now as then. In fact, the price of labor, unlike the railways themselves, is no longer a market price, established by competition, in which one man competes with another until low wages face them both. The competitive conditions, therefore, are ameliorated by organization, by agreements between themselves, that below a certain wage they will not offer their services. If anything, the price, then, of sixty per cent. of the raw material used in the manufacture of transportation has advanced. Of what does the forty per cent. consist? Of materials such as fuel, steel rails, ties, car-wheels, bolts, spikes, and lumber. Into all these products labor largely enters and comprises the indirect labor of railways. Some articles are cheaper, but taken as a whole the cost of running these roads has not been reduced, except in cases where men have been absolutely laid off, who should have been employed in order to keep the properties in good condition.

The history of our country shows that unremunerative railway rates destroy prosperity and threaten public welfare. It is a mistake to suppose that this demoralization falls only upon the capitalist. It affects every one, including even those who clamor loudest against the railways. The ills arising from unremunerative railway rates injure, first of all, the workman, as he is thrown out of employment or his wages reduced. It injures, in fact, over one million railway employees, or persons directly employed by our vast system of transportation, and affects the comfort and happiness of 4,000,000 human beings. Then come the hundreds of thousands who have invested in railway securities, from whom, in many cases, it takes away the income on which they live. This reduces general consumption. Again, it reduces the ability of large holders of these stocks and bonds to engage in new enterprises, because it wipes out their value and destroys so much live capital—or rather destroys securities upon which capital could be borrowed. The co-related or allied industries follow. Further reduction of rates cannot be

made without reducing the wages of labor. When railways are prosperous and remunerative, millions are expended in new equipments, improvements of plant, and betterments all along the road. And lastly, it may be said, all trade and industry, wherever railways penetrate, are injuriously affected, and it is this last wave of the enlarging circle of distress that is most severely felt.

In a problem so vast as this, and covering such a wide range of interest, the general welfare of the country must be considered and not the advantage of the few. Those who want the whole railway question to revolve around their State, their city, their farm, their store, their mine, or their manufactory, must ultimately come to grief. Unhappily, too much State legislation has been guided by this spirit. The individual gain by competition which put down prices to unremunerative points must be paid for by the people. Hence, while we have cheap transportation, we have no equality in rates, because business is demoralized and property confiscated. In the breaking down of business honesty and lawful trade the country suffers. One of the most judicial administrators of the Interstate Commerce law has shown us that it is a superficial view of the subject which holds that the public interest always requires the lowest rates, or which believes that reductions in rates are even presumptively for the public welfare. What the public really needs is the persistent maintenance of efficient, safe, and reasonable transportation service, with rates properly adjusted, as between competitive points of production and consumption, always free from individual discrimination, and steadily permanent from year to year.

How to reach this ideal condition is a question that is perplexing statesmen and causing anxiety in railway circles. The railways themselves put their case, or perhaps I should say their grievances, briefly as follows :

- (1.) Increased and unfair taxation.
- (2.) A demand for physical improvements that cost enormously, and give no return for the capital invested.
- (3.) Legal restrictions that, if lived up to by all, would result in ruin to some and undue advantage to others ; consequently, the laws are not enforced and the railroads are placed in the position of being law-breakers.
- (4.) An over-supply of railroads, which entails excessive

competition and renders possible (if, indeed, not necessary) a compliance with the demand that railroads become "geographical equalizers," and which, when taken in connection with the present development of civilization, seems to force large aggregations of capital, permitting such aggregations, through competition, to demand and secure unfair discrimination in their behalf.

A glance at the individual accounts of railroads brings to light remarkable freaks of direct taxation, in certain roads reaching 20 per cent., or one-fifth, of the net earnings. For some reason the Interstate Commerce Commission makes no mention, by itself, of railway taxation, a serious omission in what are otherwise complete and satisfactory reports. This omission makes an over-statement of about \$40,000,000 annually in the net earnings of railways, and is therefore misleading. In a recent memorial of the Atchison, Topeka and Santa Fe Railway Company to the Legislature of the State of Kansas it was shown that out of every dollar the Santa Fe earned in Kansas it paid back at once about 70 cents for labor and supplies and about eight cents more for taxes. In 1895, the net earnings in Kansas were about \$1,800,000, out of which about \$800,000 was paid for Kansas taxes. Surely the representatives of the Santa Fe were justified in asking what other industry or business in the State was taxed 44 per cent. of its income. A similar memorial addressed to the Missouri Legislature last month by the Chicago, Burlington & Quincy Railroad brought out the fact that out of an annual business of \$30,000,000, \$21,000,000 was used right in the State in expenses. These are but typical cases; many others could be given showing the innumerable burdens placed upon these properties by State legislatures.

The present difficulty seems to lie in the fact that State legislatures are not only inclined to pass laws still further reducing the rates of transportation, but there is a strong tendency to increase not only the direct but the indirect taxation of railways. Coming, as it does, at a time when, as I have shown, a condition of affairs exists almost beyond control of the railways, involving reduction of rates and of earning capacity, it is even more serious than it would be during more prosperous times. By "indirect taxation" I mean doing away with grade crossings, the requirement of improved terminal facilities, additional watchmen, and

other demands for the benefit and safety of the public—demands just and right in themselves, and easily attainable with a remunerative rate of transportation, but which become burdensome under extremely low and unprofitable rates.

Among the remedies proposed are joint ownership, more rigid economy, consolidation of management, State ownership, the legalization of freedom of contract between railways, including right to divide business and lessening expenses at competitive points. There is undoubtedly a tendency of late years to joint ownership and consolidation of interests, and, as a rule, these changes have not been detrimental to the shippers, the public, and the railways. It has been truly urged that no combination of carriers, whether formed in evasion of existing law, or organized under legalized pooling, can be more powerful or alarming than actual consolidation. And yet the experience has accomplished an acknowledged fact that consolidation has not resulted in any increase of charges; but, on the contrary, has been attended by considerable reductions in rates and improved facilities, and the better accommodation of the public.

That all the great railways are practising economy, and equipping, as far as income will justify, for the keener competition, must be admitted by those who have even studied the question superficially.

The question of state ownership, as yet, is hardly discussed in the United States. Those who oppose it take the ground that government ownership will not reduce rates, but that it will deaden invention and initiative. The railway systems of this country and England are undeniably better examples of what private enterprise can do than those who favor state ownership can point to as illustrating government control. In efficiency the advocates of private enterprises have the best of the argument. In the United States the railways run a train thirteen miles annually for every man, woman, and child. In England the figure is eight, in Germany four and one-half, in Belgium three and one-half. In Australia, where public control and ownership is absolute, where the roads are operated by the same race as our own, they have not yet run trains at a speed equal to eight hours' time between New York and Boston. This affords, it seems to me, a reliable indication of the probable efficiency of state-owned railways. This plan offers but few attractions and

many obstacles. To adopt it means to throw away more that is good than could possibly be gained.

The national legislation inaugurated ten years ago is admittedly in the right direction, and in its extension and perfection may be found the best way out of the difficulty. The ship may be leaking, but that is no reason why we should scuttle her in mid-ocean, or turn back when there is a fair chance to reach the port we started for. The railway companies of the country recognize the usefulness of the Interstate Commerce Commission, and have aided the Commissioners in the enforcement of the law. If it had not been for the fatal experiment known as the "anti pooling" section of the law of 1887, the work of the Commission would have been far more effectual, the railway problem much nearer solution than it is to-day, and equality of rates between large and small shippers much nearer accomplishment. The Interstate Commerce law, in asserting and insisting that rates shall be reasonable, that there shall be no unjust discrimination, moved along the line of sound principles. In all these provisions the Commission has had the support of the railway interests, or it would not have achieved its present success. To this extent, in matters relating to the publicity of rates, of the returns for statistical purposes, and other provisions, the work of the Commission has been successful. The section of the Interstate Commerce bill which destroyed the freedom of contract with the common carrier, was based on no principle, imbedded in no common law and antagonized the best experience. That section was an experiment, an experiment of which its author, Judge Reagan, now says :

"Further study has caused me to believe that the section may be amended, so as to benefit both the railroads and the people, by allowing the railroads to enter into traffic arrangements with one another."

The State Commissioners of Railways, at a convention in Washington in 1894, adopted a resolution of similar import :

"*Resolved*, That it is the sense of this Convention that competing common carriers may safely be permitted to make lawful contracts with each other for the apportionment of competitive traffic or the earnings therefrom ; provided, that conditions and restrictions be imposed which protect the public from excessive and unreasonable charges."

It has been fully established that under the present act unjust discrimination on the part of common carriers is more flagrant and more hurtful, because more secret and insidious, than for-

merly, and results more detrimentally alike to people, to shippers, and to the railroads. If all the railroad companies charged according to their published rates, there would be no trouble, but the tell-tale earnings and increasing cost of commissions and enormous amounts paid for soliciting business tell the story so plainly that even Judge Reagan thinks his favorite section five (which helped to do the mischief) may be amended. The proposed law would remedy much of this. The railways would be benefited in a large class of expenses, which they are now obliged to maintain through being unable to unify and concentrate their business. Not only will the railways be satisfied with this, but the shippers, who seek no individual advantage. At the annual meeting of the National Board of Trade held in Washington, January, 1897, an important report of the Committee on Railroad Transportation was adopted, looking to a remedy through the medium of the Interstate Commerce Commission. Among other things this report says :

“ That the great majority of railroad managers and of shippers on railroads are sincerely desirous of remedying these unjust discriminations, there can be no doubt; and, with the co-operation of this majority, with the Interstate Commerce Commission, it would seem that they might be gradually eliminated, but, as a condition necessary thereto, railroads must be given the power to enforce their agreements upon each other, which they are now prohibited from doing by the prohibition of pooling in the Interstate Commerce Law. This law should be so amended that pooling under the authority and supervision of the Interstate Commerce Commission should be allowed.”

The Interstate Commerce Commission has accomplished a good work, and it would seem to be wise to continue in the same direction. And the idea is emphasized, by reason of the fact that the railways, the representatives of the shippers, the officials of States having charge of railway matters, and the Commission itself are substantially in accord on this point. There may be differences of detail, but the bill to amend the Interstate Commerce law now before Congress meets with the approval of nearly all conflicting interests. This proposed measure is practically the Patterson bill which passed Congress by a large majority and was approved by the Committee in the Senate two years ago. It was subsequently reported by the Interstate Commerce Committee of the Senate, but never reached a vote, on account of pressure of other business and a short session. The bill is in the interest of the public, the shipper, the

railway employee, and the railway. It will also strengthen in many ways and make more effectual the work of the Interstate Commerce Commission. The public and the shippers will have a uniform, just rate, which will not discriminate against the smaller shippers and which cannot in any way become extortionate or unjust under the protection afforded by the bill. The railways, should this bill become a law, will thereunder obtain merely the lawful schedule rate, something they have not been able to maintain under the present law, because that rate is constantly fluctuating and generally in the interest of large shippers alone.

Few realize that one mill, or one-tenth of one cent. per ton per mile additional upon the tonnage of 1895, would have yielded over \$80,000,000 additional income. Thus the infinitesimal fraction of a dollar, the mill, is all that stands between the prosperity and insolvency of railways. That extra mill would give employment to 200,000 day laborers for twelve months, as they are badly needed on the tracks and road-beds, in the yards, and shops of our great railways. It would have given food and raiment to 800,000 human beings in all parts of the country during the year. The saving of that mill merely added to the millions of some of the great individual shippers. The farmer received no benefit from it, for his product must go through the temple bar of a shipper with "a rate." The small shipper gained nothing, for he paid the "schedule rate." It is important for the public to realize that it would have been far better to have entrusted this mill to the railways, not for safe keeping, but because they are the great distributors, not only of freight and passengers, but of money. Whether it be one mill or two, the railways must earn enough to enable them to keep pace with the times in furnishing all facilities to the public and carry on needed improvements upon the property.

As to what are just and reasonable rates on all competitive business, that would, under the proposed law, be subject to review by the Interstate Commerce Commission and by the courts. This would seem to be just and reasonable, and a law which permits of an agreement for the purpose of maintaining fair and reasonable prices and of paying a living wage cannot be contrary to public policy. In fact, the measure should be so framed as to protect the public and the shipper against high rates and en-

able the railway companies to get the schedule rate from all. Our railways are entitled to a net earning that will put them on a solvent basis, open up the workshops and give employment to a larger number of men. In short, the railways want, as a popular President of a great system remarked the other day, "common justice and that of the commonest sort."

LLOYD BRYCE.

II. A MERCANTILE VIEW.

BY JAMES J. WAIT.

THE writer is not in sympathy with the demagogue who seeks to win votes by abusing railroads, nor with the citizen who regards a corporation as his natural enemy. The transportation companies are so identified with the development of our country that we can afford to forgive them much. Any one who has seen, for example, the rice crop rotting on the ground for want of a market, in one part of China, while famine prevailed in an adjoining province, must realize that a railroad, even with the most riotous stock-jobbing and rate-manipulation, is so much better for the public than no railroad at all, that he will be disposed to deal gently with the erring. It will, perhaps, not be denied, even by railroad men, that their methods were largely to blame for the widespread disapproval and hostile legislation of the immediate past. The injunction "Whatsoever a man soweth, that shall he also reap," is well illustrated by the history of the granger movement. Nevertheless, any statements herein which may be construed as criticisms of the practical operation of our railroads are made more in sorrow than in anger. For the stock-jobber and wrecker, no apology is offered, except that they are no worse than those who pursue similar methods in other lines of business.

With a few notable exceptions, discriminations have not been practised by railroads with a discriminating intent, but with the object of securing to their lines a share of the traffic at rates which they knew, or had been led to believe by shippers, were in effect over competing lines. If the shipper was correct in his statements there was little actual discrimination. If his statements were not true the moral responsibility for the discrimination rested upon him, and not upon the railroads. The

railroad manager, who had been misled by shippers, who finds every concession in passenger fares abused through the scalper's office, or his revenues depleted by false weights and a wrong description of property offered for transportation, who detects merchants shipping cutlery as iron bolts and dynamite as dried apples, easily acquires that habit of thought toward the public which makes some individuals feel that it is no crime to beat a railroad, because they believe the railroad will beat them if it has a chance. One of the most important steps towards making the railroads honest with the people is to educate the people to be honest with the railroads, and to convince the latter that such is the public sentiment and intention.

The commercial relations of the railroads to their patrons are controlled by six great legislative bodies, briefly described as follows :

The Joint Traffic Association, covering the territory from the Atlantic Seaboard to the Mississippi River, north of the Ohio River.

The Western Freight, the territory between Chicago, St. Louis, etc., and the Missouri River and St. Paul.

The Trans-Missouri, between the Missouri River and the Rocky Mountains.

The Southwestern, covering Texas business.

The Southern States, the territory east of the Mississippi and south of the Ohio River and the Virginias.

The Transcontinental, governing business destined to and from the Pacific Seaboard.

The personnel of these associations is composed of representatives from the various railroads within the prescribed territory, or those interested in the business controlled by the association. They have a chairman, or executive head, and three of them, the Joint Traffic, the Southwestern, and the new Western Freight Association, have each a board of managers, whose powers are apparently partly legislative and partly executive. The contracts or agreements upon which the associations are founded are not made public. They are popularly supposed to be pools, in which settlements are made by money payments or diversions of traffic. The explanation given by the railroads is that they are for the purpose of providing uniformity and stability in rates, and to secure for each road its fair share of the traffic, "so far as they

can legally do so." Each association is split up into sub-associations and local committees, and, together with smaller ones not mentioned, the total number approaches one hundred.

An action in the courts has been brought against the Joint Traffic Association, which will be watched with interest by both the friends and the enemies of railroads. It is certainly a fact that rates have never been so well maintained between New York and Chicago, and similar territory, as during the life of the present association. It is certainly in accordance with public policy that rates should be stable, and that, within proper limits, the railroads should be allowed to protect themselves against ruinous competition. If it is right for the wage earner to associate with his fellow for mutual protection, why is it not also right for the corporations? The abandonment of such a plan by the railroads would lead immediately to a state of commercial anarchy. If every road proceeded to adjust its tariffs without consultation with its neighbor, the confusion would be a practical embargo upon business. The situation even now is badly mixed, and the services of experts are required constantly by the shipping public.

A glance at the territory of these associations shows that they overlap. To the novice there is apparently conflicting jurisdiction, and to this is due in a large part some of the troubles which cause much complaint. The principal difficulty, however, arises from the fact that the individual roads, members of these associations, have conflicting interests. They severally serve sections of the country, or trade centers, which are in active competition, and hence much of their legislation is in the nature of a compromise rather than in accordance with strict equity. Some of the associations are dominated by a particular interest, which is sufficiently strong to coerce the others. This, of course, has the usual result in acts of piracy on the part of the weaker lines, and reprisals by the victim. The public would not be concerned in this if the effect was confined to the railroads, but there can be no serious misunderstanding between the roads without an immediate injury to some person, locality, or branch of business.

During later years a system akin to lobbying has grown up, by which persons or localities have sought to influence the acts of these associations. Large mercantile and manufacturing in-

terests have endeavored to secure an adjustment of rates which would give them an advantage over some competitor. Communities, especially smaller cities and new jobbing centres, have complained that they are unable to compete with the great central markets, and by every device, including downright misrepresentation, have sought, and frequently with success, to use the associations for their own ends. There are some cities and some divisions of territory which are practically as much discriminated against as if we had a system of protective tariffs between the States. The amazing spectacle was recently seen of a number of prominent merchants appearing before one of the associations with the claim that the rebate system had been a necessity of their business, that a large portion of the United States was naturally tributary to their city, belonging to them by divine or some other right, and the demand for rates so arranged as to exclude other communities from competition within their domain.

It has also become common for producers of staple articles which are sold largely during one season, such as canned goods, fence-wire, etc., to make, in strongly competitive territory, delivered prices for future shipment, which are impossible except through a reduced freight rate or a cost price which would leave no profit in the business. When the time for shipment arrives, reduced tariffs are made public in full conformity with the law, and the goods carried accordingly. This is as great a discrimination as was possible under the rebate system, for the reason that other merchants and manufacturers, deprived of the fore-knowledge of reduced rates, are unable to compete, and by the time reduced rates are in effect, the market has been stocked.

In many parts of the country the relation of the carload rates to the rates charged on less than carload shipments is such that a large dealer is practically subsidized to the detriment of his smaller competitors.* A noticeable fact is that some railroad men realize these things, and are outspoken in condemnation, but from the very nature of their associations, which require a majority, or in many cases a unanimous vote, the individual road, or several companies acting together, are powerless to correct the evil.

* In extreme cases a difference of 260 per cent. of the rate and nearly full value of the goods.

The remuneration which the railroads receive for their services is fixed by these associations through their rate schedules, each of which consists of two to four parts : A classification, or list of all commercial articles assorted into several groups, varying in the different publications from 6 to 10 ; a table of rates showing the prices at which articles of the different classes are to be carried ; a list of exceptions to the classification, or a list of "commodity" rates, that is, reduced prices applying upon articles specially mentioned.

There are three general classifications : The official, applying in Joint Traffic Territory; the Western, containing about 10,000 items, applying west of Chicago and the Mississippi River to the Pacific Coast, and the Southern, applying east of the Mississippi River and south of the Ohio River. In addition to these are State classifications, like that of Illinois, and local classifications of various railroads, applying upon their own lines. These classifications also overlap.

A shipment from New York to St. Paul through Chicago would be carried the entire distance under the official classification. A shipment from Chicago to St. Paul would be carried under the Western classification. A shipment from Birmingham, Ala., to St. Paul, would be carried to Chicago under the Southern classification, and from Chicago to St. Paul under the Western. A shipment from San Francisco to St. Paul would be carried under the Western classification, unless the Trans-Continental Commodity rates were less. A single shipment may be carried under three different classifications, as for instance, one from Colby, Wis., for Lebanon, Ky., would be subject to the Western classification to Chicago, or other basing point, the official to the Ohio River, and the local Louisville & Nashville classification to destination. Shipments from New York or Chicago to San Francisco are governed by the Trans-Continental Commodity rates, which are so numerous that they practically amount to another classification. There is a wide variance in the grouping of many articles in these publications, resulting in discrimination. A shipment has actually been carried from Muncie, Ind., for example, to Kenosha, Wis., for a less charge than for a similar shipment from Chicago to Kenosha, thus violating the long and short-haul clause of the law, although the tables of rates taken alone were made in conformity therewith.

The multiplicity of tariffs is astounding. On one road, having 502 miles of track, there were in effect, October 1, 1896, by actual count, 1,605 distinct publications dignified by the name of "tariff," and in addition numerous rate sheets, billing orders, percentage sheets, and circulars, some of which, like the Irishman's duck, do not hold still long enough to be counted. Since the passage of the Interstate Commerce law, every charge upon interstate shipments must be covered by a tariff printed according to a prescribed form, and filed with the Commission. The law might well be styled "an act for the benefit of printers." The yearly printing bill of one of our large systems amounts to over \$75,000, and their printer has frequently \$60,000 worth of type kept standing in the forms for them. These tariffs, posted, as required by law, for the information of the public, are practically a sealed book. They are so intricate that the ordinary man can make nothing out of them. The elementary method of ascertaining a rate must be, first, fixing the geographical location of the points between which the shipment is to be carried, in order that the documents pertaining to the proper association, or carriers, may be consulted; second, examination of the classification for the group in which the article belongs; third, an examination of the table of rates to ascertain the figures in dollars and cents; then a further hunt for exceptions to the classification or commodity rates which may affect that particular article. Then in some cases, as for example, a shipment from Chicago to Phoenix, Ariz., the rates from Chicago to the Pacific Coast, plus the rate from the Coast back to Phoenix, must be examined to see if they will not make a lower combination than the regular published rate from Chicago to Phoenix. In other sections the rates will vary *via* different gateways, and a number of combinations must be figured before the lowest can be ascertained. By this time the novice is thoroughly confused, but confusion may be worse confounded, so far as competition is concerned, by the fact that commodity rates frequently permit several articles to be loaded together in a mixed carload at the carload rate, and that these specifications vary with the territory, and with the last grist of legislation turned out by the association. The minimum weight which is necessary to make up a carload also varies, and there are many apparently arbitrary regulations to entrap the unwary.

It would seem that an easy way to avoid all of this would be to apply to the representatives of the railroad companies for information, and hold them responsible for the figures given, in the same manner as a man contracts for any other commodity. But, unfortunately, here the law steps in. It is illegal for a transportation company to charge more or less than the figures prescribed by their publications on file with the Interstate Commerce Commission. If a railroad representative makes a mistake and quotes too high a rate the inquirer will probably be underbid; if too low, and a loss results, the shipper has no recovery except through the good graces of the carrier, and the opinion has been given that such recovery is under the law a penitentiary offence. Certainly, if it were not illegal, it would only be necessary for some one to "blunder" in order to beat the law. It may surprise the managers of some of the railroads to know that a shipper can sometimes procure almost as many different rates applying to a complicated territory, as there are railroads to apply to. The confusion is such that a thoroughly posted rate man is not always to be found, and hence it is incumbent upon the shipper to personally confirm the rates he uses. Shippers handling special commodities only, such as lumber or coal, find their way through this labyrinth with comparative ease; but, just about the time they acquire confidence, changes are made which upset their calculations. In the complicated lines of business, such as the grocery trade, for instance, there is a never-ending struggle to keep informed, and the most active and best-posted shippers are misled. The best evidence of the complication of our system is that traffic men sometimes express astonishment when shown the figures and effect of schedules which bear their signatures. It is also apparent that one of the purposes of the Interstate Commerce law was to insure publicity of the dealings between the railroad and its patrons, for the protection of the unfavored shipper, and if it became the general practice to rely entirely upon the statements of the railroads concerning their rates, discrimination similar to that of past years would be easy.

The immediate effect of the passage of the act to regulate commerce was a general wiping out of the rebate system. It did not take long, however, to convince the railroads and "big shippers" that they had little to fear from the Commission, and the old system was resumed with the exception that the discrimina-

tions were confined to a smaller number of the patrons of the road, and were harder for the victim to discover. Under the unrestricted rebate system, almost anyone who conducted his business on the proper basis, and was able to keep his mouth closed, could secure rates necessary to meet his competition. Under the new system he frequently could not tell what hurt him. The disregard of the law grew until there was the utmost contempt for its provisions! When the decision in the Brown case was handed down, confirming the right of the Commission to compel testimony, and after some prominent railroad attorneys had visited Washington, and been told they meant business, there was such a house cleaning all over the United States as would have fired with envy the New England matron. It is safe to say at this writing that rebates or special privileges are few, and such as do exist are probably confined to devices having at least a color of legality. The severe penalties of the Interstate Commerce law were really its weakness, as hitherto no man could be found who would be willing to testify concerning a penitentiary offence, which was to him simply a business transaction. Granting that the rebate system is practically ended, there are evils as great, which seriously affect the merchant. Although the discrimination against individuals is small, the discrimination against localities and trades has not disappeared, and there seems to be at present no feasible way of reaching it.

The remedies usually suggested for the present evils are government ownership, government operation, government control, and by the railroads legalized pooling. The old pools were certainly not a sure preventive of wars and rate manipulation. It was during their life that the abuses arose which brought about the Interstate Commerce law. The pools usually went to pieces because some line, dissatisfied with its portion of the tonnage, cut the rates to secure a larger revenue, or increase its pool percentage. It frequently happened that a road when ordered to turn over tonnage, or to pay over a balance, would decline. In one instance, where a forfeit had been deposited to the chairman's order, and was drawn upon by him, the offending road stopped the payment of the check by some legal process. With legalized pooling the roads could enforce their penalties, but it remains a debatable question whether by that means the abuses of the old pools would be avoided. Legalized pooling

under control of the Commission, as proposed, would not be safe until that body is better equipped, and is clothed with something more than "power to scold," as one railroad president has described it. If the railroads really wish the popular consent to a repeal of that part of the law, they should first maintain a more respectful attitude towards the Commission, cease from making tatters of its decisions, and divert the acumen of their lawyers into more patriotic channels.

Government ownership, or government operation, are not feasible in this country, until our public business generally is conducted upon a higher plane. A railroad train manned by political appointees, of the grade which one frequently meets in public offices, would not be safe for passengers; and anyone whose business takes him to the City Hall would be slow to entrust his commercial affairs to a similar outfit. Collection of claims, also, from the railroads, is hard enough, but anyone who has a claim against the government would be very glad to trade it for a similar one against a transportation company. If we leave where it is the ownership and operation of the roads, and endeavor to strengthen our present attempts at government control, we will be proceeding in the right direction. The Interstate Commerce Commission should have the support of public opinion, and also of the courts. The chairman has complained that the courts are against him, and that Congress is deaf to his recommendations. The shipper feels that an appeal to the Commission is practically handing down the question to posterity. An order of the Commission, dated May 29, 1894, was obtained by merchants of Cincinnati, requiring the Southern railroads to reduce their rates from that city into the Southeastern States, in conformity with the lower scale applying from New York. The roads paid no attention to this, except to go out of their way to defy the Commission. The matter has been in the courts ever since, and there is no guessing as to when it will emerge.

The anti-railroad legislation of the past has been largely in the direction of providing a schedule of maximum rates. So far as known, there is no Commission, national or State, whose power has been confirmed to fix a specific rate, or to advance too low a rate. Experience has shown that rates in the long run will decrease through competition, but that too low a rate may cause as great injustice and discrimination as a rate that is too high.

The personnel of the national and State Commissions should be more carefully watched. The work of the former is, apparently, performed by three members. Everything points to greater demands upon them for the future. Anyone who realizes the size of their undertaking will know that so small a number of men cannot hope to administer it successfully. There should be on the Commission, besides lawyers and politicians, at least one good business man of commercial training, and one man of experience in transportation, either as a railroad man or as a shipper. There have been unsuccessful cases under the Interstate Commerce law, where evidence was secured, but concealed by railroad technicalities, which are sometimes as obscure to the lawyer as legal diction often is to the ordinary citizen. The State commissions should be induced to act in harmony with the national Commission, or else the latter should have some authority or veto power over their acts, for the reason that any change of importance in rates, within a State, will immediately react upon interstate business. The Interstate Commission, if it is to amount to anything, should have the power, recently denied by the Supreme Court, of naming specific rates in its decisions and enforcing its decrees, subject, of course, to a court decision that they are reasonable and just. The Supreme Court decision, denying the right of the Commission to regulate the inland proportion of a through rate upon imports, is probably good law, although a vigorous dissenting opinion throws doubt upon it; but if so, the act should be amended, for it is not common sense from the standpoint of the merchant. Articles manufactured in competition with industries in the United States have been shipped, for example, from Wales to Denver, at a cost actually less in dollars and cents than the rate from Chicago to Denver. If a protective tariff is right, the transportation companies ought not to be allowed to abrogate it, and if it is not right, Congress, and not the railroads, should settle the question. One of the first steps to unravel the tangled skein of transportation would be uniform classification. There is now a measure before Congress empowering the commission to prepare one, and put it into effect. That it is desirable is self-evident, and that it is feasible is evidenced by the fact that the railroads spent years in an endeavor to secure such action by mutual agreement. A classification was actually prepared and submitted,

containing some objectionable compromises, although a step towards reform, but its adoption was defeated by one or two negative votes, out of the hundreds of corporations interested.

There should be friendly co-operation between the railroad associations, the public, the State and the national Commissions, to procure legislation strengthening the latter, and to uphold whatever is good in the railroad pools, and that there is much good in them no shipper can deny. The boards of managers are composed of broad-minded men, having large experience, who, no doubt, realize that the ultimate success of their associations lies in an administration producing exact fairness to persons, localities, and interests. If the personnel of the railway commissions can be kept upon as high a plane, and legislative bodies induced to act upon their suggestions, we can safely leave the solution of this problem to such a combination.

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